* IN THE HIGH COURT OF DELHI AT NEW DELHI

\+ FAO(OS) 395/2002

ATLAS CYCLES (HARYANA) LTD. ..... Appellant through
Mr. Sudhir Chandra, Sr. Adv.,
Mr. Rajeev Nayyar, Sr. Adv.
with Mr. Sudhir Makkar &
Ms. Meenakshi Singh, Advs.

versus

ATLAS PRODUCTS PVT. LTD. ..... Respondent through
Mr. C.A. Sundaram, Sr. Adv.
with Ms. Ekta Kapil & Mr.
Sandeep Mahapatra, Advs.

WITH

\+ FAO(OS) 280/2003

ATLAS CYCLES (HARYANA) LTD. ..... Appellant through
Mr. Sudhir Chandra, Sr. Adv.,
Mr. Rajeev Nayyar, Sr. Adv.
with Mr. Sudhir Makkar &
Ms. Meenakshi Singh, Advs.

versus

ATLAS PRODUCTS PVT. LTD. ..... Respondent through
Mr. C.A. Sundaram, Sr. Adv.
with Ms. Ekta Kapil & Mr.
Sandeep Mahapatra, Advs.

Date of Hearing: August 02, 2007

Date of Decision: August 08, 2007

CORAM:
HON'BLE MR. JUSTICE VIKRAMAJIT SEN
HON'BLE MR. JUSTICE S.L.BHAYANA

1. Whether Reporters of local papers may be allowed to see the Judgment. Yes

2. To be referred to the Reporter or not? Yes

3. Whether the judgment should be reported in the Digest? Yes

: VIKRAMAJIT SEN, J

1. These two Appeals have been heard together as per the request of learned counsel for the parties. The Appellant is the Plaintiff; the Respondents in the Appeals are the Defendants in the Suit. FAO (OS) 395/2002 is directed against the decision of the Learned Single Judge in IA No. 4197/2002 in Suit No. 882/2002, passed on September 27, 2002. The operative part of the Order reads as follows:-

> "Consequently, I restrain the defendants from using the trade mark 'House of Atlas' or any other mark which may be deceptively similar to the plaintiff's trade mark 'Atlas', in respect of bicycles and bicycle parts till the disposal of the suit. However, there will be no injunction in respect of its user as the corporate name of the first defendant."

2. FAO(OS) 280/2003 assails the Orders dated May 30, 2003 passed by the learned Single Judge in IA No. 9431/2002 in Suit No. 882/2002, of which the operative part reads as follows:-

> "11. The public notices issued by the respondent do not in any way give an impression to the public at large or their dealers that Court has permitted them to use

the word Atlas as their trade mark but it is a notice to the public that henceforth they will sell their goods under the trade mark Premier Gold manufactured by Atlas Products Pvt.Ltd, it being their corporate name. The public notice though do not carry that part of the order which was against the respondents, but it does not in any manner have any prejudicial effect on the plaintiff.

12. As the defendants have been permitted to use it as their corporate name and they are using the same as their corporate name only and not as a trade name no fresh orders are to the contrary required to be passed on this application, defendants being already under injunction from using the trade mark "Atlas" of course with the explicit permission to use it as their corporate name. The application is disposed of accordingly."

FACTS AND CONTENTIONS

3. Mr. Sudhir Chandra, learned Senior counsel appearing for the Plaintiffs has submitted that the trade mark "Atlas" has been registered in favour of the Plaintiff since 1952. The Plaintiff asserts that it has over a quarter of the market share in the sale of cycles in India. It is not in dispute that Defendant No.1, namely, Atlas Products Pvt. Ltd. was incorporated under the

Companies Act in 1995. It is also not in dispute that Defendant No.1 had commenced the manufacture of cycles in February 2002. According to the Plaintiffs, immediately upon learning of this event, they filed Suit No. 882/2002 praying for a permanent injunction restraining infringement of trade mark, infringement of copyright, rendition of accounts of profit, delivery-up etc. Mr. Chandra submits that it is the Plaintiff's case that prior to 2002 the Defendant No.1 was not engaged in any cycle-related business and that being so, the Plaintiffs found no reason or cause to object to the use of the word “Atlas” in the corporate or trade name. It is only when the manufacture of cycles by the Defendant, under the trade mark “House of Atlas” commenced and was learnt of by the Plaintiffs in early 2002 that the compulsion to file the subject Suit had arisen. Mr.Chandra has further submitted that the learned Single Judge had erred in coming to the conclusion that the Plaintiff had acquiesced in the Defendant's inclusion of “Atlas” in its corporate name. Even if some agreement had been reached between the three branches of the family, it could not be foisted on the Plaintiff which is a separate and distinct legal entity. He argues that the relevant date for reckoning whether there was any acquiescence and knowledge on the part of the Plaintiff is February 2002, the

month in which manufacture of cycles was started by the Defendants and, therefore, inasmuch as the present Suit was filed in April 2002 it cannot possibly be held that there was any delay or acquiescence on the part of the Plaintiff. It is primarily on similar lines that Mr.Chandra has also contended that the learned Single Judge fell into an error, which has far-reaching consequences to the Plaintiffs, in concluding that the Defendant's conduct was not dishonest in adopting “Atlas” in the corporate name or trade mark. He has vehemently argued that if February 2002 is taken as the appropriate date for the purposes of the present litigation then there is no scope for holding that there was open and concurrent user such as would disentitle the Plaintiff from seeking an injunction against the Defendants even in respect of its corporate name. Mr.Rajiv Nayyar, learned Senior counsel, who also appears on behalf of the Plaintiffs has reiterated this factual matrix.

4. Mr. Chetpat Aryama Sundaram, learned Senior Counsel appearing on behalf of the Defendants/Respondents, has emphasized upon the fact that the Defendants have not filed any Appeal against the Order of the learned Single Judge and that they are not violating those Orders. He has underscored that

the Defendant has adopted the corporate name Atlas Products Pvt. Ltd. since August, 1995 without any demur or remonstration from the Plaintiff. According to him, a perusal of the prayer contained in the Plaint would amplify that no challenge had been laid to the Defendant's corporate name, so long as it was not employed in respect of bicycle and bicycle parts or in any other manner which would result in infringing the Plaintiff's trade mark. He has relied on the Memorandum of Understanding dated 8th January, 1999, executed between the three groups of the corporate family. Our attention has been drawn to the second recital thereof which speaks of "growth of family during the subsistence of complete amity between all members of the family". After taking note of the growth of the family, it records that "it is considered prudent to split the ownership management and/or control of the companies and the assets in three equal shares and to allot each share to the three units of the family". He has relied on Clause 2 of the MoU which contemplates the division of the assets in three equal lots in such a manner that one cycle unit falls to the share of each of the three groups, each cycle unit being more or less equal. In response to an Objection taken on behalf of the Plaintiffs, he has further relied on the Minutes of the Meeting of the Board of

Directors of the Plaintiff held in the family home of the Kapurs on 30.8.2000 whereat the Board took note of the MoU entered into between the three families; and Order passed by the Arbitrator on 28-8-2000. Mr.Sundaram contends that a reading of the Minutes leaves no scope for arguing that the MoU had been entered into between the three branches of the Kapoor family, the terms of which are not binding on the Plaintiff, which is a duly incorporated company and thus an independent and distinct legal entity. He has also read the Replication filed in the Suit which according to him makes portions of it abundantly clear that the Plaintiff had full knowledge of the arbitration between the three families. Furthermore, he has argued that there are other family companies which have also used the word name “Atlas” in their corporate names, without any demur or objection from the Plaintiffs. The Memorandum of Association of Atlas Exim Private Limited, incorporated in May 1994, is available on the records and in its Objects III (C) 5 and 38 'cycle and cycle parts' is mentioned. Reference has also been made to Atlas Global Private Limited of which business of “bicycles and accessories” is one of the main objects. Mr. Sundaram further contends that once it is found that the Plaintiffs have not objected to the Defendant's corporate name, then the normal incidence of

such a name must be freely allowed. Reliance has also been placed on Standards of Weights and Measures Act, 1976 which requires the name of the manufacturer to be clearly mentioned on each product. It would, therefore, be inequitable and unfair to prohibit the Defendant from functioning in their corporate name after several years of its existence. Reliance has also been placed on Section 22 of the Companies Act, 1956 which was introduced by Act 47 of 1999, setting down a limitation of five years within which any interested party can launch an attack on the use of any particular corporate name keeping the Trade Marks Act, 1999 in the background.

SCOPE OF APPELLATE INTERFERENCE
IN INTERLOCUTORY ORDERS

5. We would be committing a grievous and unpardonable error if we fail to keep in mind that it is an interim Order which is under challenge before us. Interim Orders are always subject to change or modification at the final stage of the suits. The ambit of interference by appellate Courts has been succinctly demarcated in the following passage from *U.P. Coop. Federation Ltd. -vs- Sunder Bros.*, AIR 1967 SC 249:

> "8. It is well established that where the discretion vested in the court under Section 34 of the Indian

Arbitration Act has been exercised by the lower court the appellate court should be slow to interfere with the exercise of that discretion. In dealing with the matter raised before it at the appellate stage the appellate court would normally not be justified in interfering with the exercise of the discretion under appeal solely on the ground that it had considered the matter at the trial stage it may have come to a contrary conclusion. If the discretion has been exercised by the trial court reasonably and in a judicial manner the fact that the appellate court would have taken a different view may not justify interference with the trial court's exercise of discretion. As is often said, it is ordinarily not open to the appellate court to substitute its own exercise of discretion for that of the trial Judge; but if it appears to the appellate court that in exercising its discretion the trial court has acted unreasonably or capriciously or has ignored relevant facts then it would certainly be open to the appellate court to interfere with the trial court's exercise of discretion. This principle is well established; but, as has been observed by Viscount Simon, L.C., in Charles Osenton & Co. v. Johnston, AC at p. 138:

> 'The law as to the reversal by a court of appeal of an order made by a Judge below in the exercise of his discretion is well established, and any difficulty that arises is due only to the application of well-settled principles in an individual case'."

This passage has been reiterated in *Manjunath Anandappa URF Shivappa Hanasi*, (2003) 10 SCC 390.

6. In ***Wander Ltd.*** -vs- *Antox India P. Ltd.,* 1990 (Supp) Supreme Court Cases 727 their Lordships had analysed the powers of the Appellate Court in such matters as follows - “The appellate court will not interfere with the exercise of discretion of the court of first instance and substitute its own discretion except where the discretion has been shown to have been exercised arbitrarily, or capriciously or perversely or where the court had ignored the settled principles of law regulating grant or refusal of interlocutory injunctions. An appeal against exercise of discretion is said to be an appeal on principle. Appellate court will not reassess the material and seek to reach a conclusion different from the one reached by the court below if the one reached by that court was reasonably possible on the material. The appellate court would normally not be justified in interfering with the exercise of discretion under appeal solely on the ground that if it had considered the matter at the trial stage it would have come to a contrary conclusion. If the discretion has been exercised by the trial court reasonably and in a judicial manner the fact that the appellate court would have taken a different view may not justify interference with the trial court's exercise of discretion”. This decision has been followed very recently in ***Seema Arshad Zaheer*** *-vs- Municipal Corpn. of Greater Mumbai*, (2006) 5 SCC

282. The City Civil Court had granted a temporary injunction against the Corporation which was challenged before the Bombay High Court. Speaking for the Bench His Lordship R.V. Raveendran made the following pithy observations:-

> 32. Where the lower court acts arbitrarily, capriciously or perversely in the exercise of its discretion, the appellate court will interfere. Exercise of discretion by granting a temporary injunction when there is "no material", or refusing to grant a temporary injunction by ignoring the relevant documents produced, are instances of action which are termed as arbitrary, capricious or perverse. When we refer to acting on "no material" (similar to "no evidence"), we refer not only to cases where there is total dearth of material, but also to cases where there is no relevant material or where the material, taken as a whole, it is not reasonably capable of supporting the exercise of discretion. In this case, there was "no material" to make out a prima facie case and therefore, the High Court in its appellate jurisdiction, was justified in interfering in the matter and vacating the temporary injunction granted by the trial court.

7. Very recently in ***Ramdev*** *Food Products (P) Ltd. -vs- Arvindbhai Rambhai Patel*, (2006) 8 SCC 726 : AIR 2006 SC 3304 : 2006(2) CTMR 1(SC) the Supreme Court has taken into consideration both ***Wander Ltd***. and ***Seema Arshad Zaheer***.

His Lordship, S.B. Sinha, J., has perspicuously dealt with this issue in these words:

> The grant of an interlocutory injunction is in exercise of discretionary power and hence, the appellate courts will usually not interfere with it. However, the appellate courts will substitute their discretion if they find that discretion has been exercised arbitrarily, capriciously, perversely, or where the court has ignored the settled principles of law regulating the grant or refusal of interlocutory injunctions. This principle has been stated by this Court time and time again. [See for example Wander Ltd. v. Antox India P. Ltd., 1990 (Supp) Supreme Court Cases 727, Laxmikant V. Patel v. Chetanbhai Shah, (2002) 3 SCC 65 and Seema Arshad Zaheer -vs- Municipal Corpn. of Greater Mumbai, (2006) 5 SCC 282].
>
> The appellate court may not reassess the material and seek to reach a conclusion different from the one reached by the court below if the one reached by that court was reasonably possible on the material. The appellate court would normally not be justified in interfering with the exercise of discretion under appeal solely on the ground that if it had considered the matter at the trial stage it would have come to a contrary conclusion.
>
> However, in this case the courts below proceeded on a prima facie misconstruction of documents. They adopted and applied wrong standards. We, therefore, are

of the opinion that a case for interference has been made out.

8. The operative part of the impugned Order dated 27.9.2002 has been reproduced above. The Defendants have not challenged the Order and it, therefore, attains ad interim finality till such time as it is altered. FAO(OS) No.395/2002 challenges the refusal to pass an injunction in respect of the corporate name of Defendant No.1. We have to satisfy ourselves that, keeping in perspective the material available before the learned Single Judge, he had exercised his discretion to grant an ad interim injunction in a manner which cannot be labelled as arbitrary or capricious or perverse, or in ignorance of or contrary to the settled principles of law regulating the grant or refusal of interlocutory injunctions. In this regard, the learned Single Judge had compared the two trade marks as a whole and found a deceptive resemblance between the Plaintiff's mark “Atlas” and the Defendant's mark “House of Atlas” and accordingly concluded that the Defendant should be restrained from using the offending trade mark “House of Atlas”. The Trial Court had also returned the finding that so far as the offending mark was concerned the plea of acquiescence had not been made out. This

portion of the verdict has not been challenged by the Defendant, but we are adverting to it in order to highlight the clear segregation of the two aspects, namely, trade mark on the one hand and trade name and corporate name on the other, was ever present in the mind of the Trial Court. The violation to the trade name was found to have arisen in 2002 [and this is not in debate at all]. However, dealing with the trade or corporate name the learned Single Judge took note of the incorporation of Defendant No.1 on 21.8.1995. On the basis of the material before him the learned Single Judge came to the prima facie conclusion that the Kapoor family, under whose umbrella the Plaintiff No.1 falls, had knowledge of the incorporation of Defendant No.1.

LEGAL REGIME FOR COMPETING USER OF TRADE MARKS AND TRADE NAMES

9. We shall first analyse what the law is on the subject of corporate name or trade name. This has been recently expounded by the Supreme Court in ***Ramdev*** which is the Restatement of the law on this complex nodus. A partnership, presumably of a patriarch and his three sons, was transacting business in the name and style of Ramdev

Masala Stores and was the owner of the trade mark Ramdev masala. The partnership later on reconstituted and incorporated itself into Ramdev Food Products Pvt. Ltd. to which the trade mark together with the goodwill was eventually assigned. The firm was dissolved in November, 1991, but the three brothers continued to partake in the spice/masala business through firms named Ramdev Exports and Ramdev Masala which transacted retail sale including trading through seven outlets/stores. A 'User agreement' was executed permitting the said firm to use the trade mark, subject to certain conditions, till 31.3.1998. On the inevitable outbreak of disputes between the three brothers differences were attempted to be resolved between them on terms reduced into a Memorandum of Understanding. These terms principally were that the Respondents were permitted to sell products of the Plaintiff through their retail outlets. The rapprochement proved to be stillborn as evidenced by the filing of a civil suit by the Company against the others, which was substantially decreed. The Trial Court held that the Plaintiff Company was the owner of the trade mark; the Defendants could not be permitted to start manufacturing and marketing spices/masalas via a deceptively similar trade

mark as it would create confusion in the minds of the consumers. However, the Defendants were granted liberty to manufacture spices/masalas in their factory and sell them in the seven outlets under the trade mark 'Ramdev Masala'. However, the Defendants were not permitted to employ the words “Ramdev Masala” on the packaging of their goods marketed under the mark 'Swad', as the packaging would become deceptively similar and hence infringe the Plaintiff's trade mark 'Ramdev Masala'. It was the last finding of the Trial Court that was reversed by the High Court. This was so held also for the reason that statutory requirements had to be complied with, but it was clarified that the principal display panel would state “Swad”, and “Ramdev Masala” could only be written on the bottom of the reverse side.

10. The Supreme Court affirmed the finding that the Memorandum of Understanding did not bestow any manufacturing rights on Arvindbhai (Defendant) and the trade mark belonged exclusively to the Company. After analysing the characteristics of trade marks and acquiescence, and the principles of interpretation of documents in the context of the Memorandum of Understanding, their

Lordships directed that -

ORIGINAL	AFTER REVIEW
134. We, in view of our findings aforementioned, direct:	132. We, in view of our findings aforementioned, direct:
(i) The respondents be restrained from using the trade mark including the trade name 'Ramdev Masala' in any of their products.	(i) The respondents be restrained from using the trade mark including the trade name “Ramdev Masala” in any of their products.
(ii) They may, however, carry on their business in any other name insofar as manufacturing of spices is concerned.	(ii) They may, however, carry on their business in any other name insofar as manufacturing of spices is concerned and in respect of such articles on the labels/pouches on the reverse thereof, the following shall be mentioned in the minimum permissible size in terms of the provisions of the Standards of Weights and Measures Act and the Prevention of Food Adulteration Act:
(iii) The appellant shall, as and when demands are made, supply spices produced by it for retail sale thereof to several outlets belonging to respondents on usual terms, and in respect of such articles on the labels/pouches, on the reverse thereof, the following shall be mentioned in the minimum permissible size in terms of the provisions of Weights and Measures Act and Prevention of Food Adulteration Act:	'This product is manufactured and marketed by M/s. Ramdev Masala (Arvindbhai Group) having no relationship whatsoever with Ramdev Food Products Pvt. Ltd.'
“This product is manufactured and marketed by M/s. Ramdev Masala (Arvindbhai Group) (Or M/s. Ramdev Exports Arvindbhai Group) having no relationship whatsoever with Ramdev Food Products Pvt. Ltd.”	(iii) The appellant shall, as and when demands are made, supply spices produced by it for retail sale thereof from the seven outlets belonging to Respondent 7 on usual terms.
(iv) The appellant shall deposit a sum of Rs. 50 lakhs before the Trial Court or furnish a bank guarantee for the said sum by way of security.	(iv) The appellant shall deposit a sum of Rs. 50 lakhs before the Trial Court or furnish a bank guarantee for the said sum by way of security.
(v) Despite pending applications for rectification before the Registrar of Trade Marks, the final hearing of Civil Suit No.828 of 2000 shall be expedited and the learned Trial Judge is hereby directed to complete the hearing as expeditiously as possible preferably within a period of six months from the date of communication of this order.	(v) Despite pending applications for rectification before the Registrar of Trade Marks, the final hearing of Civil Suit No.828 of 2000 shall be expedited and the learned Trial Judge is hereby directed to complete the hearing as expeditiously as possible preferably within a period of six months from the date of communication of this order.

11. Their Lordships expounded the law in these words:

> A trade mark is the property of the manufacturer. The purpose of a trade mark is to establish a connection between the goods and the source thereof which would suggest the quality of goods. If the trade mark is registered, indisputably the user thereof by a person who is not otherwise authorised to do so would constitute infringement. Section 21 of the 1958 Act provides that where an application for registration is filed, the same can be opposed. Ordinarily under the law and, as noticed hereinbefore, there can only be one mark, one source or one proprietor. Ordinarily again right to user of a trade mark cannot have two origins. The first respondent herein is a rival trader of the appellant-company. It did not in law have any right to use the said trade mark, save and except by reason of the terms contained in the MOU or continuous user. It is well settled that when defences in regard to right of user are set up, the onus would be on the person who has taken the said plea. It is equally well settled that a person cannot use a mark which would be deceptively similar to that of the registered trade mark. Registration of trade marks is envisaged to remove any confusion in the minds of the consumers. If, thus, goods are sold which are produced from two sources, the same may lead to confusion in the mind of the consumers. In a given situation, it may also amount to fraud on the public. A proprietor of a registered trade mark indisputably has a statutory right thereto. In the event of such use by any person other than the person in

whose name the trade mark is registered, he will have a statutory remedy in terms of Section 21 of the 1958 Act. Ordinarily, therefore, two people are not entitled to the same trade mark, unless there exists an express licence in that behalf.

....

Traditionally, a trade mark has always been considered a vital and inseparable part of the goodwill of the business. In fact, the sale of a trade mark without the sale of the goodwill to the same buyer is considered null and void. However, the trade mark can be assigned with or without the goodwill of business though subject to certain conditions. [See V.A. Mohta's Trade Marks, Passing Off and Franchising, pages 12, 313.]

...

...So long the parties to an arrangement can continue to carry out their respective businesses without infringing the right of another, indisputably the terms thereof must be given effect to. But the matter would be entirely different when a party who has not been expressly authorised to manufacture the goods in which the Company had been carrying on business under the same name, the respondents under law could not have been permitted to carry on the manufacturing and marketing of their products under the same name. In a case of this nature, even a mandatory injunction can be granted.

...

By reason of interpretation of MOU, trade mark cannot be infringed and further when the right of user has been relinquished, the same could not have been claimed by the respondents.

...

Waiver may sometimes resemble a form of election, and sometimes be based on ordinary principles of estoppel. [See 45 Halsbury's Laws (4th edn.) para 1269]

...

Mr. Nariman is also not correct in contending that only a label has been registered and not the name 'Ramdev'. Definition of 'mark' as contained in Section 2(j) of the 1958 Act also includes name, signature, etc.

...

Although, the defendant may not be using the actual trade mark of the plaintiff, the get up of the defendant's goods may be so much like the plaintiff's that a clear case of passing off could be proved. It is also possible that the defendant may be using the plaintiff's mark, the get up of the defendant's goods may be so different from the get up of the plaintiff's goods and the prices also may be so different that there would be no probability of deception of the public. However, in an infringement action, an injunction would be issued if it is proved that the defendant is improperly using the plaintiff's mark. In an action for infringement where the defendant's trade mark is identical with the plaintiff's mark, the Court will not enquire whether the infringement is such as is likely to deceive or cause

> confusion. The test, therefore, is as to likelihood of confusion or deception arising from similarity of marks is the same both in infringement and passing off actions. [See Ruston & Hornsby Ltd. v. The Zamindara Engineering Co. , (1969) 2 SCC 727.
>
> ...
>
> Acquiescence is a facet of delay. The principle of acquiescence would apply where: (i) sitting by or allowing another to invade the rights and spending money on it; (ii) it is a course of conduct inconsistent with the claim for exclusive rights for trade mark, trade name, etc.
>
> ...
>
> In P.M. Diesels Ltd. v. Patel Field Marshal Agencies and Ors. 2001 PTC 20 (Del), the High Court noticed the distinction between logo, trade mark and trade name and was of the view that the defendants cannot be permitted to use the trade name so as to defeat the other portion of the order of injunction already passed against him. An injunction can also be granted against the respondents to use the corporate name.

12. We have extensively reproduced extract from ***Ramdev*** for the reason that the facts are extraordinarily similar to the present case and therefore its reasoning and operative conclusions can be and must be extrapolated to the dispute before us. So far as the source of the corporate or trade name is concerned, in both cases

it originates from the common business that the family had pursued masala/spices under the trade mark Ramdev Masala in ***Ramdev*** and 'Atlas' cycles in the present case. There cannot be two opinions on the question that, in the interests of the public/consumer, confusion as to the source of the products should not be permitted to persist. Indeed, this should be the primary concern of the Court. Law protects trade marks to enable a consumer to rest assured that the product on which he has placed his preference, and which he identifies by its name, is in fact the one which he has purchased. From the standpoint of the manufacturer, his entire purpose is the sale of his product; this cannot be achieved if some other manufacturer can by clever manipulations and machinations, deceive or confuse the customer into buying a product that he does not intend to buy. It is for this reason that we feel that the protection must principally be from the customers' perspective. This is what the manufacturer/seller would want. In this case, therefore, the Court must ensure, by injunctive or even mandatory relief if necessary, that there should clearly be only one source, and the clarity must be from the standpoint of a person of average intelligence and recollection. We shall shortly return to this conundrum.

13. The distinction between an action for infringement and for passing off, which has stood the test of time, is to be found in this passage from *Kaviraj Pandit Durga Dutt Sharma -vs- Navaratna Pharmaceutical Laboratories*, AIR 1965 SC 980:

> The other ground of objection that the findings are inconsistent really proceeds on an error in appreciating the basic differences between the causes of action and right to relief in suits for passing off and for infringement of a registered trade mark and in equating the essentials of a passing off action with those in respect of an action complaining of an infringement of a registered trade mark. We have already pointed out the suit by the respondent complained both of an invasion of a statutory rights under S.21 in respect of a registered trade mark and also of a passing off by the use of the same mark. The finding in favour of the appellant to which the learned Counsel drew our attention was based upon dissimilarity of the packing in which the goods of the two parties were vended, the difference in the physical appearance of the two packets by reason of the variation in their colour and other features and their general get-up together with the circumstances that the name and address of the manufactory of the appellant was prominently displayed on his packets and these features were all set out for negativing the respondent's claim that the appellant had passed off his goods as those of the respondent. These matters which are of

the essence of the cause of action for relief on the ground of passing off play but a limited role in an action for infringement of a registered trade mark by the registered proprietor who has a statutory right to that mark and who has a statutory remedy in the event of the use by another of that mark or a colourable imitation thereof. While an action for passing off is a Common Law remedy being in substance an action for deceit, that is, a passing off by a person of his own goods as those of another, that is not the gist of an action for infringement. The action for infringement is a statutory remedy conferred on the registered proprietor of a registered trade mark for the vindication of "the exclusive right to the use of the trade mark in relation to those goods" (Vide S.21 of the Act). The use by the defendant of the trade mark of the plaintiff is not essential in an action for passing off, but is the sine qua non in the case of an action for infringement. No doubt, where the evidence in respect of passing off consists merely of the colourable use of a registered trade mark, the essential features of both the actions might coincide in the sense that what would be a colourable imitation of a trade mark in a passing off action would also be such in an action for infringement of the same trade mark. But there the correspondence between the two ceases. In an action for infringement, the plaintiff must, no doubt, make out that the use of the defendant's mark is likely to deceive, but where the similarity between the plaintiff's and the defendant's

> mark is so close either visually, phonetically or otherwise and the court reaches the conclusion that there is in imitation, no further evidence is required to establish that the plaintiff's rights are violated. Expressed in another way, if the essential features of the trade mark of the plaintiff have been adopted by the defendant, the fact that the get-up, packing and other writing or marks on the goods or on the packets in which he offers his goods for sale show marked differences, or indicate clearly a trade origin different from that of the registered proprietor of the mark would be immaterial; whereas in the case of passing off, the defendant may escape liability if he can show that the added matter is sufficient to distinguish his goods from those of the plaintiff.

14. We shall now briefly consider some other precedents on this interesting question. *Power Control Appliances -vs-* ***Sumeet*** *Machines Pvt. Ltd.*, (1994) 2 SCC 448 concerned infringement of the Plaintiff's copyright in and the use of the name 'Sumeet' by the Defendant in his Trade/corporate name with effect from 1984, although Sumeet was a registered trade mark of the Plaintiff since 1970. After reproducing Section 30 of the Trade Marks Act 1958 their Lordships recounted that “acquiescence is one of the defences still available to the first defendant. Of course it is a different issue whether the plea of acquiescence is made of in

this case ... Acquiescence is sitting by, when another is invading the rights and spending money on it. It is a course of conduct inconsistent with the claim for exclusive rights in a trade mark, trade name. It implies positive acts; not merely silence or inaction such as is involved in laches". This passage delineates the watershed between the legal concepts of delay and of acquiescence. The Supreme Court found no evidence supporting the Defendant's allegation that it was also manufacturing machines identical to those manufactured by the Plaintiff and hence was in favour of the grant of an ad interim injunction. Their Lordships also iterated the settled principle of law relating to trade mark that there can be only one mark, one source and one proprietor. Acquiescence was seen as a facet of delay which requires more than simple inaction; there must be some positive role that the Plaintiff plays, leading on the Defendant as it were to carry on business in a manner which the Plaintiff subsequently takes umbrage against. ***Sumeet*** is one case which appears to be a case of acquiescence because the Defendant, being the son of the Plaintiffs, had been actively encouraged by the Plaintiff to start his own enterprise. Things had fallen apart when the Defendant independently and with hostility towards the Plaintiff commenced the manufacture of kitchen mixers instead of merely

marketing these machines produced by the Plaintiffs or manufactured by it with the consent of the Plaintiff. Whilst the Plaintiff commenced business in 1970, the Defendant was incorporated in 1984, with the approval of the Plaintiffs, for manufacturing washing machines under the trade name Sumeet. So far as the approval of the grant of electric machines for kitchen use including mixies is concerned the reasoning is clear. However, if the Defendant had been tacitly allowed to use the trade mark Sumeet then the jural prohibition could only have been predicated on the pragmatic principle of “one mark, one source and one proprietor” and not that there was no acquiescence. This is clear from the fact that their Lordships had recorded that one of the prayers was for infringement of copyright, in respect of which 'honest and concurrent user' is not a defence. Unlike a trade mark where such a defence is available by virtue of Section 12 of the Trade Marks Act (corresponding to Section 12(3) of the repealed Trade and Merchandise Marks Act, 1958) the Defendant must perforce rely on an assignment of a copyright in order to legitimately use it. The Plaintiff had not executed any Deed of Assignment of the copyright if held in 'Sumeet' and hence their Lordships approved the issuance of the injunction. In this analysis if the copyright in ***Sumeet*** did not

exist in favour of the Plaintiff, an injunction would not have been granted. At the highest it could only have been issued with regard to kitchen machines, since the Plaintiffs acquiescence on other activities was irrefutable.

15. As has been observed in ***Midas*** *Hygiene Industries P. Ltd. -vs- Sudhir Bhatia*, 2004 (1) R.A.J. 586(SC) where infringement of a trade mark occurs normally an injunction must issue even though there may be some delay in initiating proceedings. If the adoption of the trade mark is dishonest or notorious a prima facie case would exist in favour of the Plaintiff. We are unable to discern from the Report of ***Midas*** the extent of the delay in that case. If there is inordinate delay the distinguishing line between delay and acquiescence becomes so blurred, in our opinion, that the grant or refusal of an ad interim injunction would hang in the balance. Dishonesty or notoriety on the part of the Defendant would then tilt the scales in favour of the Plaintiff. The Trial Court must exercise its discretion in this regard, and unless the result falls in that extremely rare category of perversity, the Appellate Court must always be loath in substituting that decision with its own.

16. In *Mahendra & Mahendra Paper Mills Ltd. -vs- Mahindra and Mahindra Ltd.*, AIR 2002 SC 117 : 2002(24) PTC 112(SC) the Supreme Court noted that the Plaintiff/Respondent had numerous associate and subsidiary companies and was transacting business in that name and style since 13-1-1948; and 'Mahindra' was its registered trade name. The Defendant commenced business in 1974 as a sole proprietorship concern, Mahendra Radio House and thereafter a number of other concerns were flouted. The ad interim injunction granted in favour of the Plaintiff by the Single Judge was affirmed by both appellate Courts. In ***Montari*** *Overseas Ltd. -vs- Montari Industries Ltd.*, 1996 PTC (16) 142 the Plaintiff was incorporated in 1983, and had several subsidiary companies also. The Defendant was incorporated in 1993 and it claimed to be operating in textiles, allegedly an altogether different field from the operation of the Plaintiff. Nevertheless the Defendant was injuncted from using the corporate name. Upholding the grant of the interim injunction a Division Bench of this Court opined that “no company is entitled to carry on business in a manner so as to generate a belief that it is connected with the business of another company, firm or individual. The same principle of law which applies to an action for passing off of a trade mark will apply more strongly to the

passing off of a trade or corporate name of one for the other".

17. The following passage from Kerly's Law of Trade Marks and Trade Names is indeed of relevance:-

> MANDATORY INJUNCTIONS; ORDERS TO CHANGE NAME
>
> 18-86 The court has power to make mandatory as well as prohibitory injunctions. Procedurally, mandatory injunctions may be more difficult, because they require to be policed, but this is simply a factor to be considered (and in relation to interim injunctions it is a matter going to the balance of convenience, since it may be more prone to cause injustice than an order preserving the status quo, Nottingham Building Society v. Eurodynamics [1993] F.S.R. 468).
>
> 18-87 Mandatory relief in a passing-off action may include an order to compel the defendants to state that they are not connected with the claimant, where they are selling the claimant's goods but also falsely giving the impression that they are authorised agents [Sony v. Saray [1983] F.S.R.302.
>
> 18-88 A defendant whose company name is inherently deceptive may be ordered to change its name. Such an order may even be made at an interim stage : Glaxo v. Glaxowellcome [1996] F.S.R.388. Likewise, a company registering a website with a name which is so inherently deceptive as to amount to an instrument of fraud may be ordered to change the name of the site or to transfer it to

> the claimant. Marks and Spencer v. One-in-a-million [1998] F.S.R.265, [1999] F.S.R.1 (the order there being made following a successful application for summary judgment).

18. An interim Order had been passed by Division Bench of this Court while hearing an Appeal. Ordinarily, it may have only persuasive value so far as other Division Benches are concerned. However, this decision has now been affirmed by the Apex Court in ***Ramdev*** :-

> In P.M. Diesels Ltd. v. Patel Field Marshal Agencies and Ors. 2001 PTC 20 (Del), the High Court noticed the distinction between logo, trade mark and trade name and was of the view that the defendants cannot be permitted to use the trade name so as to defeat the other portion of the order of injunction already passed against him. An injunction can also be granted against the respondents to use the corporate name.

IMPACT OF AMENDMENTS MADE TO THE COMPANIES ACT AND THE TRADE MARKS ACT

19. We now turn our attention to Section 22(1) (ii) of the Companies Act, 1956 and Section 29(5) of the Trade Marks Act, 1999 which reads thus-

> 22. **Rectification of name of company.-**(1) If, through inadvertence or otherwise, a company on its

first registration or on its registration by a new name, is registered by a name which,-

(i)....

(ii)on an application by a registered proprietor of a trade mark, is in the opinion of the Central Government identical with, or too nearly resembles, a registered trade mark of such proprietor under the Trade Marks Act, 1999, such company,-

(a) may, by ordinary resolution and with the previous approval of the Central Government signified in writing, change its name or new name; and

(b) shall, if the Central Government so directs within twelve months of its first registration or registration by its new name, as the case may be, or within twelve months of the commencement of this Act, whichever is later, by ordinary resolution and with the previous approval of the Central Government signified in writing change its name or new name within a period of three months from the date of the direction or such longer period as the Central Government may think fit to allow:

Provided that no application under clause (ii) made by a registered proprietor of a trade mark after five years of coming to notice of registration of the company shall be considered by the Central Government.

> **29. Infringement of registered trade marks** -
>
> ....
>
> (5) A registered trade mark is infringed by a person if he uses such registered trade mark, as his trade name or part of his trade name, or name of his business concern or part of the name, of his business concern dealing in goods or services in respect of which the trade mark is registered.
>
> (6) For the purposes of this section, a person uses a registered mark, if, in particular, he--
>
> (a) affixes it to goods or the packaging thereof;
>
> ....

The phrase "a name which is identical with or too nearly resembles the name by which a company in existence has been previously registered", is also to be found in Section 20(2) of the Companies Act which along with Section 22 (1) (i) (ii) and its proviso was introduced thereto with effect from 15-9-2003. The date from which these amendments came into operation appears to have escaped the notice of the parties since the subject suit had been filed over a year earlier, in April 2002. Obviously Parliament had Section 29(5) of the Trade Marks Act, 1999 in sight.

20. Our attention has been drawn to *Ellora Industries Delhi -vs- Banarsi Das*, 1981-PTC-46 in which this Court had injuncted the

Defendant even from using the word 'Ellora' as part of its business name as it would be misleading in the context of the Plaintiff's 'Elora' trade mark registered six years prior to the Defendant's use of the mark Ellora. Both parties were selling clocks. The Division Bench opined that the misrepresentation pertained to the origin of the goods, and passing off could occur even where the goods were not similar. More recently, in ***Montari*** the Division Bench had ruled that the Plaintiff has two independent rights of relief against the Defendant who may be using the corporate name of the previously incorporated Plaintiff, firstly under Section 22 of the Companies Act and secondly of causing confusion (passing off) under the common law. These two provisions have been relied upon by Mr. Sundaram to contend that since the Plaintiff has ventilated its grievance against the Defendant's use of 'Atlas' as a part of its trade or corporate name only in 2002 whereas they had specific knowledge of this user since August, 1995, its demur had become statutorily barred. In ***Montari*** the Division Bench had rejected the argument to the effect that the Plaintiff had to seek redressal only under the Companies Act. However, the suit had been filed and the injunction had been granted in 1995 much before the amendments to Sections 20 and 22 of the Companies Act came

into force. As these provisions stood in 1995, no prescription had been provided under the Companies Act for initiating an action under Section 20 of that statute. It is trite that there is no legal bar against a party traversing or selecting one of several avenues leading to its ultimate destination. We are in respectful agreement with ***Montari*** with the caveat, however, that the Bench did not have to consider the question of limitation either under the Companies Act or the Trade Marks Act, 1999. Furthermore, the Bench was not called upon to construe provisions analogous inter alia to Section 29(5) of the Trade Marks Act, 1999, which does not contain any period of limitation after which the right to object gets extinguished, so far as litigative action is concerned. It is of significance that the present Sections 20 and 22 were introduced by Section 158 read with the Schedule thereto of the Trade Marks Act, 1999. The legislative intent is clear, namely, that whilst recourse to the Companies Act must be taken within five years, the right to restrain infringement or passing off is ever enduring, since no limitation period has been prescribed either under Section 29 or 30 of the Trade Marks Act. Of course, delay in filing a suit would always remain an important factor so far as interim relief in an infringement or passing off action is concerned. In any event,

since the present Suit has been filed seventeen months before September 2003, when the amendments came into force, there is absolutely no merit in the arguments of the Defendants. For this reason we are also not required to delve deeper into the interesting but complex question of the effect of the unhappily worded proviso to Section 22(1) of the Companies Act. In our opinion the provisions should read thus - "Provided that no application under clause (ii) made by a proprietor of a trade mark shall be considered by the Central Government after the expiry of five years from the date on which the applicant noticed the registration of the Company having an offending name". Assuming that a plaintiff noticed the registration of an offensively named Company in August 1998 would his challenge thereto stands extinguished being statutorily barred immediately on 15-9-2002, even though prior thereto neither remedy nor its limitation had been provided for. We would have expected the statute to clarify that where the cause of action had already arisen five years prior to the introduction of the provision, requisite action should be initiated within one or more months. As already observed by us, we do not have to rule on this conundrum. The amendment to Section 22 incorporates widespread changes in form, but in substance introduces the

proprietors' right to compel a company to change its name in certain circumstances.

ADHERENCE TO THE STANDARDS OF WEIGHTS AND MEASURES ACT, 1976 AND THE PREVENTION OF FOOD ADULTERATION ACT, 1954

21. Mr. Sudhir Chandra contends that the Defendant can quite easily change its corporate/trade name and thereby comply with the mandates of the Trade Marks Act, 1999 as well as the Standards of Weights and Measures Act, 1976 as also the Prevention of Food Adulteration Act, 1954. The argument has merit. In our opinion, whenever a defendant is restrained from using a trade mark or trade name it would have to avail of the provisions of Section 21 of the Companies Act, 1956 and by a special resolution and after obtaining the approval of the Central Government, change its name. This is also the pragmatic solution since the Court had the duty to safeguard consumer interests. As already observed above, the concerns of the customer are preeminent, and it is cardinal that he should not be confused into purchasing goods of an imitator under the mistaken belief that it is from the authentic or original source. A businessman would adopt a confusing name or a masquerade only if he can gain from it by hitching on the bandwagon of a reputed and established

brand. If his goods are superior he would take pains to distinguish his products from all the others. Had Mr. Chandra's argument been pressed in ***Ramdev*** we are certain that it would have found favour with their Lordships. In fact, this is exactly what their Lordships had ensured by mandating clarification of being disclaimer in the second finding after the Review.

DECISION

22. Unlike ***Ramdev*** the present adversaries have not arrived at any understanding on the use of the trade mark and trade name. The learned Single Judge has injuncted the Defendants from using the trade mark and to this extent no challenge exists. In ***Ramdev***, the MoU was to the effect that whereas one brother namely the defendant Shri Arvindbhai became the exclusive owner of Ramdev Exports and the firm Ramdev Masala the other two brothers became the owners of the Plaintiff Company. The Apex Court specifically records, in that factual matrix, that the use of the brand name was available to all three whereas the trade mark 'Ramdev' belonged exclusively to the Company. In the dispute in hand, the amicable distribution, severance or partition of assets of the Atlas Group had been conceived of by the creation of three baskets of assets, unfortunately, this has not

been implemented. All the family members accuse Shri Arun Kapur of putting a spoke in the wheel (no pun intended). Indubitably his two brothers, who together with him constitute one of the three family groups, do not support him. Therefore, it is palpably evident that the Respondent has not been allowed, contractually or otherwise, to use the trade mark or the trade name (corporate name) for the same business or indeed for any other business. Mr. Chandra has explained that if an impasse had not been created by Shri Arun Kapur in respect of the choosing of one of the three baskets, the problem would have been resolved. This aspect of the dispute does not directly concern us in this Appeal.

23. Contrary to ***Ramdev***, the Defendant/Respondent has no contractual right to sell cycles using the name 'Atlas' directly or indirectly. Of course, the Trial Judge has the discretion to take the decision on this question, and ***Wander*** would commend, if not command us, not to interfere with the exercise of this discretion. The conclusion that must be drawn from the detailed discussion and analysis above is that while exercising discretion the Court's endeavour must be to remove any possibility of deception or confusion so far as the customer is concerned. In

other words the jural approach must be to ensure that there is only one mark, one source and one proprietor. Where the same product is being offered for purchase (masala or cycle as the case may be) continuance of confusion should be put to an end.

24. The conundrum so far as the use of the trade/corporate/brand name is concerned is sought to be unravelled by the learned Single Judge onwards from paragraph 23 of the impugned Order. Even in respect of the trade name the Court has gone into the ramifications of delay and acquiescence. However, the interests of the consumer, epitomized by the phrase that there can be only one mark, one source or one proprietor have not been accorded paramountcy, and hence discretion has been incorrectly exercised. The learned Single Judge fails to do so not because of the existence of any understanding or contract between the parties, but because of acquiescence, i.e. user by the Defendant/Respondent of 'Atlas' in its corporate name for seven years. Here again the case of the Plaintiff has not been properly kept in perspective, viz. that the Defendants started the business of manufacture and sale of cycles only in February 2002 and the Plaintiffs immediately filed the Suit within a couple of months. Acquiescence, as we have already discussed, must contain some

positive action on the part of the complaining party. Once February 2002 is taken as the focal date, and once the customers' rights are kept in mind, we are of the opinion that no discretion remains and the injunction must issue in favour of the Plaintiffs. This is especially so since the learned Single Judge has found in favour of the Plaintiff on the question of confusion or deception, and has accordingly injuncted the Defendant from using the trade mark 'Atlas'. It seems to us that the ***Midas*** doctrine applies both to trade marks as well as trade names even though so far as the latter goes there may not be any 'infringement' in the statutory sense.

25. With all due respect to the learned Single Judge we are unable to agree with the interpretation imparted to Section 22 of the Companies Act. The Plaintiff has taken recourse to its common law right to restrain infringement and/or passing off. These rights have not been foreclosed by the amendments that came into force on 15.9.2003 even though the Trade Marks Act was in focus. It is plain that the mischief of passing off can be orchestrated even through a misleading adoption or exhibition of a trade name. Prima facie, even though the cycles marketed by the Defendant ostensibly are under the trade mark Premium

Gold, by mentioning Atlas on the packaging/cycle/publicity material any averagely intelligent consumer would believe he is buying an 'Atlas' cycle. After encountering a salesman interested in selling the Defendant's products, any doubt that the prospective customer may harbour as to whether he is not buying the Plaintiff's product would be drowned by misleading statements. This is the commercial reality of the market which it would be naive to ignore while exercising discretion.

26. It is manifest from a perusal of the impugned Order that the conclusion reached by the learned Single Judge was influenced in large measure by the proviso to Section 22(1) of the Companies Act. In paragraph 25 it has been observed that the delay in initiating action for restraining the first Defendant from using the corporate name was fatal. Obviously this conclusion permeates and influences the impugned decision in its entirety. The learned Single Judge has also articulated the view that the limitation had been introduced in 1999, and hence the Plaintiff could no longer force a change in the Defendant's corporate name. With respect, this is an anachronism. The amendments took effect only on 15-9-2003 and ought not to have been applied at the time when the impugned Order was passed. As soon as the injunction is granted

the consequence would be that the Defendants would have to change their corporate/trade/brand name in order to comply with the mandates of the Weights and Measures Act as well as the Prevention of Food Adulteration Act. In the context of the fasciculous comprising Sections 20 to 25 of the Companies Act, the name of Defendant No.1 would be deemed to be “undesirable”. Even if the Plaintiff could not force a change in name under Section 22, there can be no difficulty in the Defendant's invoking Section 21 of the Companies Act to achieve this result.

27. The Appeal has merit and is allowed. The impugned Orders are modified to the extent that the Defendants are restrained from using the word 'Atlas' in their corporate/trade name in respect of bicycles and bicycle parts. All pending applications are disposed of.

FAO(OS) 280/2003

28. We shall now consider FAO(OS) 280/2003. In our view there can be no two opinions on the fact that the Order impugned in FAO(OS) 395/2002 injuncted the Defendants from using the trade mark 'Atlas' but did not restrain the Defendants from using 'Atlas' in their corporate name. Once this conclusion is arrived at

the challenge to the impugned Order dated 30.5.2003 loses all its strength. In fact, keeping in view the arguments addressed before us in FAO(OS) 395/2002 we would have accepted learned counsel for the Appellants not to press the present Appeal. We are in agreement with the learned Single Judge that the public notices issued by the Defendants, to which the appellants have taken objection, do not give the impression to the public that this Court has permitted the Defendants to use the word 'Atlas' as their trade mark.

29. Appeal as well as pending applications is dismissed.

(VIKRAMAJIT SEN)
JUDGE

August 08, 2007
nt+tp

(S.L. BHAYANA)
JUDGE